

## Message Text

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PAGE 01 STATE 048187  
ORIGIN EA-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 AGRE-00 PA-01 OES-07 /094 R

DRAFTED BY EA/TIMBS:EJCHESKY:EVC  
APPROVED BY EA/TIMBS:DPSULLIVAN  
EA/EP - MR. GEBER  
AA/ASIA - MR. SULLIVAN  
ASIA/DP - MR. COHEN  
ASIA/IK - MR. DUPUIS  
EA/TIMBS - MR. FRITTS (DRAFT)

-----039948 251609Z /14

R 241842Z FEB 78  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 048187

STATE/AID MESSAGE

E.O. 11652: GDS

TAGS: EAID, EAGR, ID

SUBJECT: EA ECONOMIC POLICY REVIEW AND INDONESIA'S FOOD  
PROBLEM

REF: A) JAKARTA 1702;  
B) JAKARTA 1346; C) JAKARTA 1064; D) JAKARTA 969

1. STATE AND OTHER AGENCIES CONCERNED ARE MOST APPRECIATIVE  
OF THE EXCELLENT, TIMELY AND THOUGHTFUL MESSAGES WHICH HAVE  
BEEN PROVIDED BY THE AMBASSADOR AND ALL ELEMENTS OF THE  
MISSION IN PREPARATION FOR THE FEBRUARY 9 INDONESIAN  
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PAGE 02 STATE 048187

ECONOMIC POLICY REVIEW. IN PARTICULAR THE CABLE ON THE  
FOOD PROBLEM AND U.S. ASSISTANCE BECAME THE FOCUS OF THE  
DISCUSSION. THE MAIN THRUST OF THE MESSAGE WAS WELCOMED  
AND ITS APPROACH WAS GENERALLY ACCEPTED BY ALL PARTICIPA-  
TING AGENCIES AND REPRESENTATIVES INCLUDING ASST. ADMINI-  
STRATOR SULLIVAN AND DEP. ASST. SEC. HEGINBOTHAM. UPON  
RECEIPT OF ABS, WE WILL BE ABLE TO CONSIDER DETAIL AND

STRATEGY WITHIN CONTEXT OF FY 80 PROGRAM REVIEW YOUR  
MORE IMMEDIATE REQUESTS WILL BE THE SUBJECT OF A SEPTTEL.

2. STATE AND AID HAVE REQUESTED INR TO DO A STUDY OF U.S.  
POLICY OPTIONS RELATED TO THE PROPOSED NEW EMPHASIS ON  
TRANSMIGRATION BY THE IFI'S AND THE GOI. WHILE RECOGNIZING

THE VERY SUBSTANTIAL CONTROVERSY WITHIN THE IBRD ON  
TRANSMIGRATION, AND A HEALTHY REALIZATION BY MANY IN  
THE BANK OF DIFFICULTIES AND PITFALLS INVOLVED, WE HAVE  
NOT AS YET DETECTED ANY PULLING BACK BY IBRD/WASHINGTON  
FROM THE LENDING TARGETS FOR THIS PROGRAM. WE WOULD  
THEREFORE LIKE TO HAVE FURTHER DETAILS ON THE BANK'S  
REPORTED COOLING ON THIS ISSUE ASAP (REF A, PARA 6).  
WE HAVE NOT YET DECIDED ON HOW THE USG SHOULD DEAL WITH  
THIS ISSUE, BUT A NUMBER HERE (IN STATE/AID AND TREASURY)  
FEAR A SERIOUS MISALLOCATION OF SCARCE RESOURCES LIKELY  
IF TRANSMIGRATION IS PUSHED VIGOROUSLY ALONG PRESENT  
LINES AND THERE WILL BE FURTHER DISCUSSIONS HERE SHORTLY.

3. THE CURRENT OVER-EMPHASIS ON RICE IN AGRICULTURE  
IS SURELY A PROBLEM THAT THE GOI, WE AND OTHER DONORS  
MUST SEEK TO INFLUENCE. GIVEN TRADITIONAL CONSUMER  
PREFERENCES, THIS COURSE IS DIFFICULT, BUT IT SEEMS  
CLEAR THAT CONSIDERABLE AMOUNTS OF LAND IN JAVA AND MUCH  
OF THE OUTER ISLANDS ARE UNSUITED TO TRADITIONAL JAVANESE  
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PAGE 03 STATE 048187

WET-RICE CULTURE AND THAT STUDY IS REQUIRED TO DETERMINE  
THE VALUE AND NEED OF OTHER CROPS. FURTHER EFFORTS IN  
THE NUTRITION AREA ARE CLOSELY RELATED.

4. THE AGRICULTURE RESEARCH AND EXTENSION FIELDS REPRE-  
SENT AMERICAN EXPERTISE AND SUCCESS AT ITS BEST, WHICH  
NO OTHER MAJOR DONOR CAN MATCH. WE AGREE THAT OUR  
SUBSTANTIAL CONTRIBUTION IN THESE FIELDS SHOULD BE  
EXPANDED IN ORDER TO HELP CREATE IN;ONESIAN CADRE AND  
INSTITUTIONS TO SUPPORT A MORE MODERN, PRODUCTIVE, AND  
RESPONSIVE AGRICULTURE BOTH IN JAVA AND THROUGHOUT THE  
COUNTRY.

5. THE POLICY REVIEW EMPHASIZED THAT MORE THAN IN THE  
PAST EVERYTHING THAT WE DO IN THE ASSISTANCE FIELD MUST  
BE JUDGED IN TERMS OF ITS EMPLOYMENT IMPACT. STRONG  
VIEWS ON THE POTENTIAL FOR CATASTROPHIC POLITICAL/SOCIAL  
UNREST IF NEW MEANS FOR EMPLOYMENT CREATION ARE NOT  
FOUND SOON UNDERLINE THE GREATER EMPHASIS ALL DONORS AND  
GOI MUST DEVOTE TO THIS ISSUE TO SEEK SOLUTIONS.

6.MISSION'S EMPHASIS ON THE MARKET SYSTEM AND INCENTIVES

IS WELCOMED AND WAYS TO SHIFT GOI ATTENTION MUST BE SOUGHT.

7. CONCERNING A MAJOR LONG-TERM INCREASE IN FUNDING FOR AGRICULTURAL PROGRAMS, BOTH THE ASIA BUREAU OF AID AND EA STATE WOULD PROBABLY BE ABLE TO PROVIDE SUPPORT. THE MAIN CAVEATS ARE THE OBVIOUS ONES OF ADMINISTRATIVE

ABSORPTIVE CAPACITY AND COMMITMENT OF THE GOI TO RURAL PROGRAMS AND POLICIES THAT DEAL EFFECTIVELY WITH THE FOOD/EMPLOYMENT CRISIS.

8. IN CONCLUSION THERE SEEMED GENERAL AGREEMENT THAT AID'S SUBSTANTIAL EMPHASIS ON PROGRAMS IN THE OUTER CONFIDENTIAL

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PAGE 04 STATE 048187

ISLANDS COULD NOT NOW BE CHANGED (IN VIEW OF GOI PREFERENCES) AND THE CURRENT BALANCE OF FUNDING SHOULD NOT BE ALTERED SUBSTANTIALLY IN THE FUTURE.

9. MORE DETAILED RESPONSES TO THE VARIOUS PROPOSALS WILL BE FORWARDED SHORTLY. VANCE

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## Message Attributes

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**Disposition Action:** RELEASED  
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**To:** JAKARTA  
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